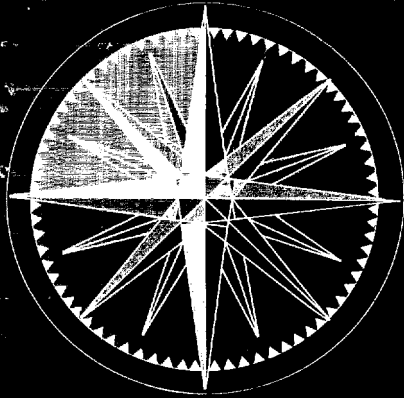


~~SECRET~~

Approved For Release 2008/05/14 : CIA-RDP79-00927A004800020001-9



19 February 1965

OCI No. 0277/65

Copy No. 069

WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

State Dept. review
completed

25X1

~~SECRET~~

GROUP 1 Excluded from automatic
downgrading and declassification

48-228527/1

Approved For Release 2008/05/14 : CIA-RDP79-00927A004800020001-9

Page Denied

SECRET

C O N T E N T S

(Information as of 1200 EST, 18 February 1965)

Page

1

THE VIETNAM SITUATION

Bloc response to the US air strikes continued last week to be marked by tough talk intended to deter the US from further action but avoiding specific commitment to a military response.

25X1

25X1

25X1

Viet Cong harassing action is still widespread, and a resumption of large-scale action seems likely in Phuoc Tuy Province, east of Saigon. Moscow is giving wide publicity to various calls for a political settlement in Vietnam but has taken no initiative toward this end. It is also trying to make a show of Communist bloc unity. In Saigon, Dr. Phan Huy Quat has formed a predominantly civilian government to replace the caretaker regime of Nguyen Xuan Oanh.

THE COMMUNIST WORLD

CHANGES IN THE SOVIET MILITARY HIGH COMMAND

6

Recent personnel and organizational changes in the high command suggest that reorganization may still be under way in the Soviet Defense Ministry.

RUMANIA REWRITING ITS HISTORY BOOKS

7

25X1

TALKS ON JOINT POLISH - WEST GERMAN ECONOMIC VENTURES

8

Representatives of the Krupp combine--apparently with Bonn's blessing--may be on the verge of an agreement with the Polish regime on cooperative industrial projects. Such joint ventures would put the regime's political and economic pragmatism to a severe test, creating both internal and intrabloc strains.

25X1

SECRET

19 Feb 65

CURRENT INTELLIGENCE WEEKLY SUMMARY

Page i

SECRET

THE COMMUNIST WORLD (continued)

Page

25X1

ASIA-AFRICA

CAMBODIA PRESSES FOR NEUTRALIZED SOUTH VIETNAM 9
Prince Sihanouk hoped that the Indochinese People's Conference now under way in Phnom Penh would advance this cause, but now seems wary of its domination by Communists.

COMMUNISTS STRENGTHEN POSITION IN LAOS 10
Several government pockets northeast of the Plaine des Jarres have been eliminated, and large numbers of troops and supplies are moving into central Laos. In Vientiane, Premier Souvanna is continuing his efforts to stabilize the situation following the recent coup attempt.

25X1

TROOP ROTATION ISSUE AGAIN THREATENS CYPRUS PEACE 11
Ankara warns it will use force if necessary to rotate part of its army contingent by 8 March

25X1

UN mediator Galo Plaza, who returned to Cyprus on 11 February, has renewed efforts to negotiate a settlement.

INONU GOVERNMENT FALLS IN TURKEY 12
The new Urguplu cabinet is likely to serve only as an interim regime until elections later this year. Urguplu must heed military pressures, especially on the Cyprus dispute.

AFRICAN MODERATES IN NEW GROUPING 12
Moderate leaders of 12 French-speaking states have formed an "African and Malagasy Common Organization" and have adopted positions which invite a clash with radicals at next week's OAU foreign ministers' meeting.

SECRET

19 Feb 65

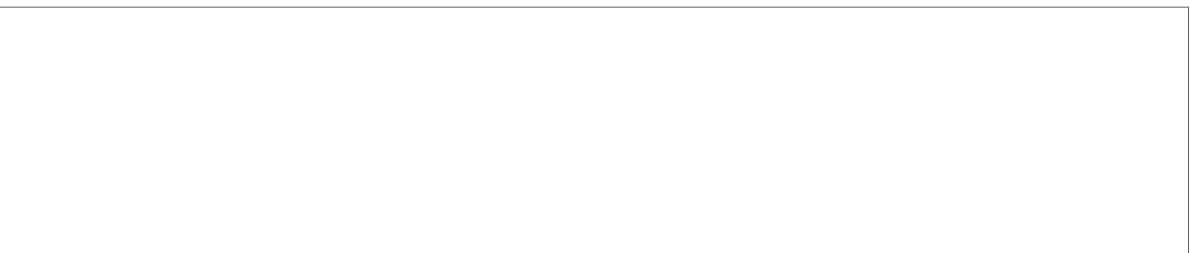
CURRENT INTELLIGENCE WEEKLY SUMMARY

Page ii

SECRET

<u>ASIA-AFRICA (continued)</u>	<u>Page</u>
SUDANESE GOVERNMENT RESIGNS	13
The leftist-dominated regime quit under pressure from the non-Communist parties, but at least one Communist will probably remain in the reorganized cabinet.	
UGANDA AIDING CONGOLESE REBEL ATTACKS NEAR FRONTIER	15
The Congolese rebels, with increasingly direct assistance from Uganda, have sharply increased their military activity. This may further delay the Leopoldville government's drive to close off the Sudanese border.	
CAMPAIGN BEGUN TO OVERTHROW BANDA'S RULE IN MALAWI	16
A raid on a district headquarters probably signals the start of an effort by ousted cabinet members to overthrow the government of Prime Minister Banda. Foreign African nationalists, who resent Banda's collaboration with Portugal, may aid his opponents.	

EUROPE



25X6

UK'S IMPORT SURCHARGE CONTINUES TO RANKLE EFTA PARTNERS	18
At the European Free Trade Association's ministerial council meeting in Geneva next week, Britain will again be under strong pressure at least to reduce the 15-percent surcharge it imposed last fall. However, fear of provoking a crisis and a certain sympathy for the Labor government's economic difficulties will probably encourage restraint.	
EUROPEAN SPACE RESEARCH PROGRAM AT A CROSSROADS	20
The seven-nation European Launcher Development Organization, which has been trying to develop a proven launch vehicle (ELDO-A), is in technical and financial trouble. It is far short of the achievements its members hoped would assure them a prominent role in future commercial satellite communications.	



25X1

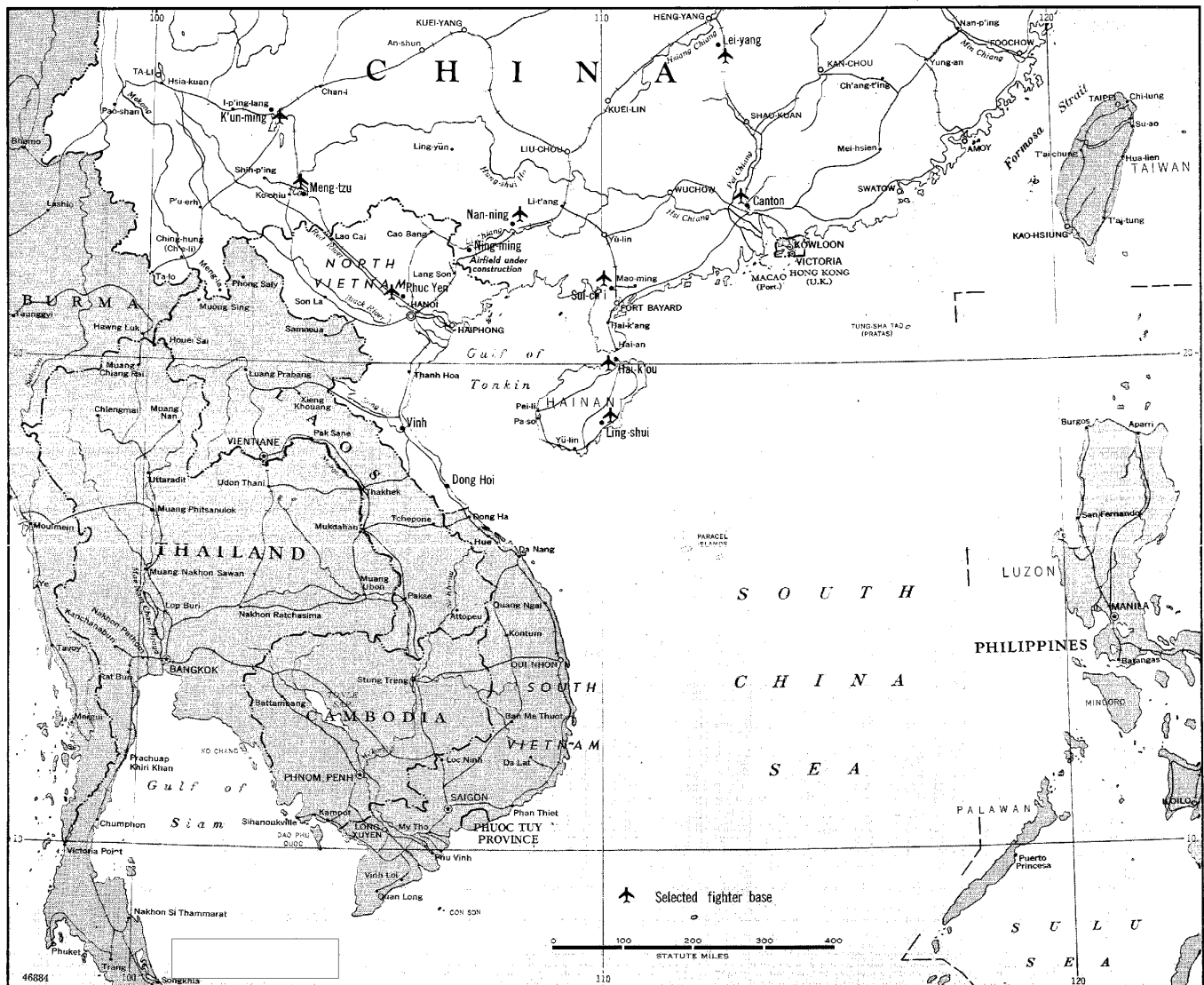
SECRET

SECRET

<u>EUROPE (continued)</u>	<u>Page</u>
SPANISH HARASSMENT OF GIBRALTAR	21
Intensified Spanish pressure on Gibraltar seems to be winning reluctant British agreement to discuss differences over the colony.	
 <u>WESTERN HEMISPHERE</u>	
CASTRO MOVES AGAINST ANOTHER OLD-LINE CUBAN COMMUNIST	22
His removal this week of Carlos Rafael Rodriguez, a leading "old-line" Communist, from his position as president of the National Institute of Agrarian Reform is probably another move to undermine the influence of the "old guard."	
POLITICAL AND ECONOMIC TRENDS IN COLOMBIA	23
The Valencia administration is still reaping political benefits from its successes last month in thwarting a general strike and ousting a coup-minded minister of war, and most basic economic indexes are showing favorable trends. Valencia's fortunes may change, however, when Congress reconvenes next month.	
FINANCIAL CRISIS IN THE DOMINICAN REPUBLIC	24
The depressed world price of sugar, the country's chief export, has deepened a financial crisis that has been developing for several months. The crisis threatens to undermine the popular support that accrued to Triumvirate President Reid following last month's reforms in the armed forces and police.	
DECEPTIVE POLITICAL CALM IN PANAMA	24
The political scene is quiet on the surface, but animosities within the government coalition are becoming more obvious, and rumors of cabinet changes and of coup plotting are common. The Communists continue to promote worker unrest, and opponents of President Robles' economic reform program have regained the initiative.	
REACTION TO RIGGED ELECTIONS IN HONDURAS	25
The majority Liberal Party has charged fraud in the 16 February constituent assembly elections which appear to give the traditionally minority but regime-favored Nationalists 35 of 64 seats. Liberal leader Villeda Morales is talking about a coup	

25X1

SECRET



SECRET

THE VIETNAM SITUATION

Bloc response to the US air strikes on North Vietnam continued to be marked mainly by tough talk this week, as the Communists sought to deter the US from further action while avoiding any specific commitment to a military response. The

25X1

25X1

Viet Cong Retaliation Urged

In their propaganda, following the air strikes, both Peiping and Hanoi have been at pains to avoid any show of weakness. Both have continued to urge the Viet Cong to take stronger military action against US and South Vietnamese forces. The North Vietnamese, moreover,

have reiterated that they have not been cowed by the US actions, and have specifically declared that there has been no change in the Communist terms for a settlement of the Viet Cong insurgency. According to Hanoi, these terms still include the withdrawal of all US forces from South Vietnam and bilateral negotiations between the Communist Liberation Front and the government in Saigon so as to give the Viet Cong a strong voice in any coalition government.

Viet Cong Activities

This hard line has been firmly echoed in Viet Cong pronouncements. On 14 February, the Liberation Front convened a central committee session which urged more "resolute strikes at the US imperialists and their stooges."

25X1

the Communist guerrillas are planning to increase attacks on South Vietnamese targets where Americans are concentrated and to step up assaults on munitions and fuel dumps and airfields.

There have been no further attacks on American installations

SECRET

SECRET

since the bombing of the US billet at Qui Nhon on 10 February in which 23 Americans were killed and 21 wounded. Viet Cong harassing action, however, is still widespread, and sabotage of road and rail communications continues at a high level. In recent days there appears to have been some slackening in the intensity of Viet Cong armed attacks as compared with the week immediately following the Tet Festival, during which South Vietnam's forces suffered record casualties and weapons losses.

A resumption of large-scale action seems likely in Phuoc Tuy Province, east of Saigon, where strong government and Communist forces are maneuvering against each other.

Activity in North Vietnam

North Vietnamese military authorities have requested that the International Control Commission's inspection teams be withdrawn from the country. These teams are located along the border with China, at Haiphong harbor, and in the southern part of North Vietnam. Although the request was made on the grounds that Hanoi could no longer guarantee the security of the teams, their removal would lessen opportunities for observation of military movements. There is no evidence so

far that additional military equipment has arrived in North Vietnam since the air strikes.

Reports on public morale following the strikes indicate less apprehension over the possibility of further direct military action against the North than following the US air strike last August. The North Vietnamese authorities have not made an all-out attempt in the wake of the latest strikes to spur a hostile public response. Emphasis has rather been placed on gearing public attitudes for the long pull. Domestic propaganda, for example, has forecast a strong possibility of additional and harder aerial attacks but has claimed that the army and people are prepared for them.

Chinese Response

Peiping has slacked off on its domestic propaganda concerning Vietnam. No new mass demonstrations have been reported since 12 February, at which time the Chinese announced that during the previous five days 11 million people had taken part in anti-US rallies. This response falls considerably short of the performance last August, when Peiping claimed that 20 million Chinese had vented their indignation in the streets.

SECRET

SECRET

Official Chinese pronouncements, however, have become increasingly bellicose. The government statement released on 13 February reached new heights of invective, and declared that Hanoi now has the "right" to take the initiative in striking south across the demarcation line to deal "counterblows to the South Vietnamese puppets." It did not, however, add to earlier Chinese promises of support for North Vietnam.

Chinese propaganda concerning the 15th anniversary of the Sino-Soviet Friendship Treaty provided a vehicle for more hard words about "US aggression" in Vietnam. Peiping has played up the mutual defense provisions of the agreement as part of its effort to deter the US from stronger blows against North Vietnam. An editorial in People's Daily on 14 February declared that the alliance--which the Chinese have previously called "worthless"--was still feared by the US and asserted that Peiping will continue to make the treaty "play its part in the struggle against American imperialism."

Foreign Minister Chen Yi, in a speech at the Soviet Embassy reception on 15 February, sought to goad the USSR into more vigorous opposition to the US. He declared that "concrete action" against the US is the duty of all socialist states, and implied that unless Moscow

is willing to follow the tough Chinese lead in Vietnam, the Sino-Soviet treaty is only a "scrap of paper." Moscow is thus offered Hobson's choice between publicly acknowledging that the Chinese line has been correct all along or facing new charges of cowardice.

Soviet Attitude

The USSR, however, continues to mark time while its leaders assess the results of Kosygin's trip to the Far East. Official high-level commentary has not gone beyond the official government statement of 8 February and the Soviet - North Vietnamese communiqué. Propaganda treatment of last week's incidents also continues to be marked by restraint.

Although Moscow continues to give wide publicity to various calls for a political settlement, it has taken no initiative toward this end. In a 15 February talk with a top-level UK Foreign Ministry official, Soviet Foreign Minister Gromyko merely reiterated the 8 February government statement. He made no attempt to broach the possibility of action by the two Geneva co-chairmen on the crisis.

The USSR has also continued its attempts to influence US policy in Vietnam. A leading Pravda editorial reasserted that "aggressive acts in policy" could

SECRET

SECRET

wipe out steps already taken in the interest of bilateral relations. Premier Kosygin, speaking in Pyongyang on 12 February, took much the same line and declared that "he who thinks it is possible to develop relations with the Soviet Union while pursuing the road of aggression against another socialist state is mistaken."

Moscow has attempted to place the US attacks on North Vietnam in a broad perspective in an effort to make a show of Communist bloc unity. During his visit to North Korea, Kosygin asserted that the Soviet Union, Communist China, and North Korea were united in their efforts to "prevent the spread of the theater of military operations in Indochina." This tactical show of bloc solidarity appears to have been dictated by events in Vietnam. Recent speeches in connection with the occasion of the 15th anniversary of the Sino-Soviet Friendship Treaty also are designed to give the impression of greater cordiality between Moscow and Peiping. However, each side continues to refer to earlier uncompromising statements of its own principles.

An indication of continuing strain in some areas of Soviet-North Vietnamese relations was reflected in the results of Soviet-Vietnamese economic talks which took place in Hanoi following the arrival of a Soviet economic delegation on 25 January.

It left on 12 February apparently without having reached any major accord. Announcements over Hanoi Radio suggest that Moscow agreed only to a reallocation of unspent funds provided under 1960 and 1962 credits and to the provision of a few fishing vessels and some equipment for hospitals and a medical center. There was an implicit hint in Kosygin's departure speech of some continuing difficulties in the economic negotiations.

Moscow has given no indication that it intends to back away from its commitment to strengthen North Vietnam's defensive capacity. According to Canadian Ambassador Ford, Soviet Deputy Foreign Minister Zorin asserted in a stormy 15 February conversation that "there was no basis or excuse" for US bombing of North Vietnam. He flatly maintained that "we have declared that we will help the DRV and we will not retreat from the threats of the US."

Political Developments in South Vietnam

In Saigon, Dr. Phan Huy Quat, an experienced nationalist politician and a member of the northern wing of the Dai Viet Party, has succeeded in forming a government to replace the caretaker regime of Nguyen Xuan Oanh. Formally installed on 16 February, the Quat

SECRET

SECRET

government is predominantly civilian. Military officers head only three ministries-- defense, psychological warfare, and youth. However, the defense minister, General Nguyen Van Thieu, will also be first deputy premier.

Two civilian deputy premiers, serving concurrently as foreign affairs and planning ministers, are veteran politicians with government experience prior to Diem's regime. The balance of the ministers are either well-known political figures or technicians selected by Quat, as was his whole cabinet, with a view to achieving as much balance as feasible in terms of regional and religious representation.

Although it is by no means immune to the political pressures which shortened the lives of predecessor regimes, the Quat government at least initially is likely to have a somewhat better chance of sustaining itself.

against expected carping by fractious Vietnamese political and religious groups. The powerful Buddhist Institute has over the past few months indicated that Quat might be its preferred candidate for the premiership. Catholics and southerners probably view Quat's regime with some reserve, but Quat has been careful to consult them in forming his cabinet and has indicated that he considers damping the religious strike to be a major aim of his regime.

The Armed Forces Council, in addition to giving the Quat government its sanction, has established a joint civilian-military council which will serve as an interim legislature for the indefinite future. In delegating power to Quat and to the National Legislative Council, the Armed Forces Council has explicitly reserved the right to reinsert itself if necessary into the political life of the country.

25X1

* * *

SECRET

SECRET

The Communist World

CHANGES IN THE SOVIET MILITARY HIGH COMMAND

Recent personnel and organizational changes in the military high command suggest that reorganization may still be under way in the Soviet Defense Ministry.

The latest development is an authoritative 26 January statement that the post of commander in chief of the ground forces has been eliminated. This post, formerly held by Marshal Chuykov, had no operational authority, and probably lost its administrative and training functions in July 1964 when control of training was transferred to the ministerial level. A few months before the ground forces post was abolished, Chuykov had openly challenged Khrushchev's conventional forces reduction policy.

A new position, that of deputy minister of defense for combat training, was established in July and is filled by Army General Valentin Penkovsky, a former military district commander. In another development last summer, Marshal Pavel Rotmistrov was appointed to the apparently upgraded post of assistant to the minister of defense for military educational institutions. Both of these

appointments indicated a desire for improved and centralized training of all force components. The new training concept was apparent in the inclusion of amphibious and airborne as well as ground forces in the Warsaw Pact maneuvers held in Bulgaria last September.

The identification in late January of the former chief of the Main Staff of the Ground Forces, Colonel General Sergey Shtemenko, as a deputy chief of the General Staff suggests that the ground forces staff has been merged into the General Staff with Shtemenko still heading it as a deputy chief for ground forces.

The recent replacement of Army General Ivan Yakubovsky, chief of the Soviet forces in East Germany, by the Kiev Military District commander, Army General Petr Koshevoy, may be part of the reorganization. If Yakubovsky does not replace Koshevoy in Kiev, he could emerge in a more prestigious position such as chief of staff of the Warsaw Pact. In any event, Yakubovsky is believed to be in line for a top job in the military hierarchy.

25X1

SECRET

RUMANIA - Territorial Adjustments



SECRET

The Communist World

25X1

RUMANIA REWRITING ITS HISTORY BOOKS

Rumania has undertaken to remove pro-Soviet distortions from its history books and seems willing to publicize a whole new series of Rumanian-Soviet disagreements in a further attempt to underscore its present independent course.

These developments strikingly illustrate the role of historiography in the development of Rumanian national Communism. Previous efforts in this area during the past year have included the publication of a debate with Hungarian historians over Transylvania at the May 1964 Budapest conference and the rehabilitation of 18th and 19th century heroes of the Rumanian movement for national independence and unity. In addition, a new emphasis on the unity theme has been noted in Rumanian secondary-school history courses. Finally, the regime published in December four obscure Marx manuscripts which were critical of historical Russian and Hungarian stands on territorial issues affecting Rumania.

25X1

SECRET

SECRET

The Communist World

TALKS ON JOINT POLISH - WEST GERMAN ECONOMIC VENTURES

25X1

Warsaw and Bonn may be on the verge of an agreement on cooperative industrial projects which could eventually lead to new East - West European economic and political relationships. Representatives of the Krupp combine and Polish experts have long been discussing such cooperation--with the apparent blessing of Bonn's Foreign Ministry --and may have agreed on a pilot joint production venture in Poland. This could in time result in closer economic ties than have been involved in past trade and credit arrangements.

[redacted], any agreement would probably call for German capital, licenses, foremen, machinery, and technicians. The Poles would contribute labor, buildings, and raw materials. Resultant production would be sold in Poland and abroad.

No agreement has yet been reached on questions of ownership, the distribution of profits, guarantees by both Poland and the West German Government for Krupp's capital investment, the legal status of German technicians in Poland in the absence of diplomatic representation, and the physical location of the new plants.

25X1

[redacted]

In spite of the economic and political obstacles, there are strong motivations on both sides for such arrangements. The scheme would permit West Germany to expand its exports, regain some of its traditional markets, and avoid the tight labor market at home. Poland would secure much-needed Western plants and technology which it now cannot afford to buy, and would eventually earn hard currencies with the output. Its growing surplus labor force problem would also be eased.

25X1

Other countries in both East and West Europe are apparently watching the negotiations with interest. After the Polish approach in June, the Rumanians, Hungarians, and Bulgarians also reportedly made similar proposals to Bonn.

The joint ventures will put the Polish regime's political and economic pragmatism to a severe test, creating both internal and intrabloc strains. East Germany has consistently opposed the establishment of "treacherous" West German trade missions in Eastern European capitals. Moscow is not likely to oppose the joint ventures on economic grounds, but its political-ideological reservations could create obstacles.

25X1

SECRET

SECRET

Asia-Africa

CAMBODIA PRESSES FOR NEUTRALIZED SOUTH VIETNAM

25X1

The opening of the Indochinese Peoples' Conference (IPC) in the Cambodian capital this week and new letters to the Soviet Union and other powers again calling for a Geneva conference are designed to further Prince Sihanouk's campaign for a neutralized South Vietnam.

Sihanouk's original intention in promoting the IPC was to demonstrate that there is a groundswell of non-Communist opinion in Indochina for a neutral "solution" in South Vietnam. Despite his efforts to ensure strong "neutralist" representation, the conference is dominated by Communists, notably representatives of the Viet Cong's Liberation Front, the Pathet Lao's Neo Lao Hat Sat, and North Vietnam's Fatherland Front. "Neutralist" representation from outside Cambodia is confined to Vietnamese exiles in France.

When it became apparent a pro-Communist orientation was unavoidable, Sihanouk's enthusiasm waned and he designated a relatively minor official to address the opening session on 15 February. [REDACTED]

25X1

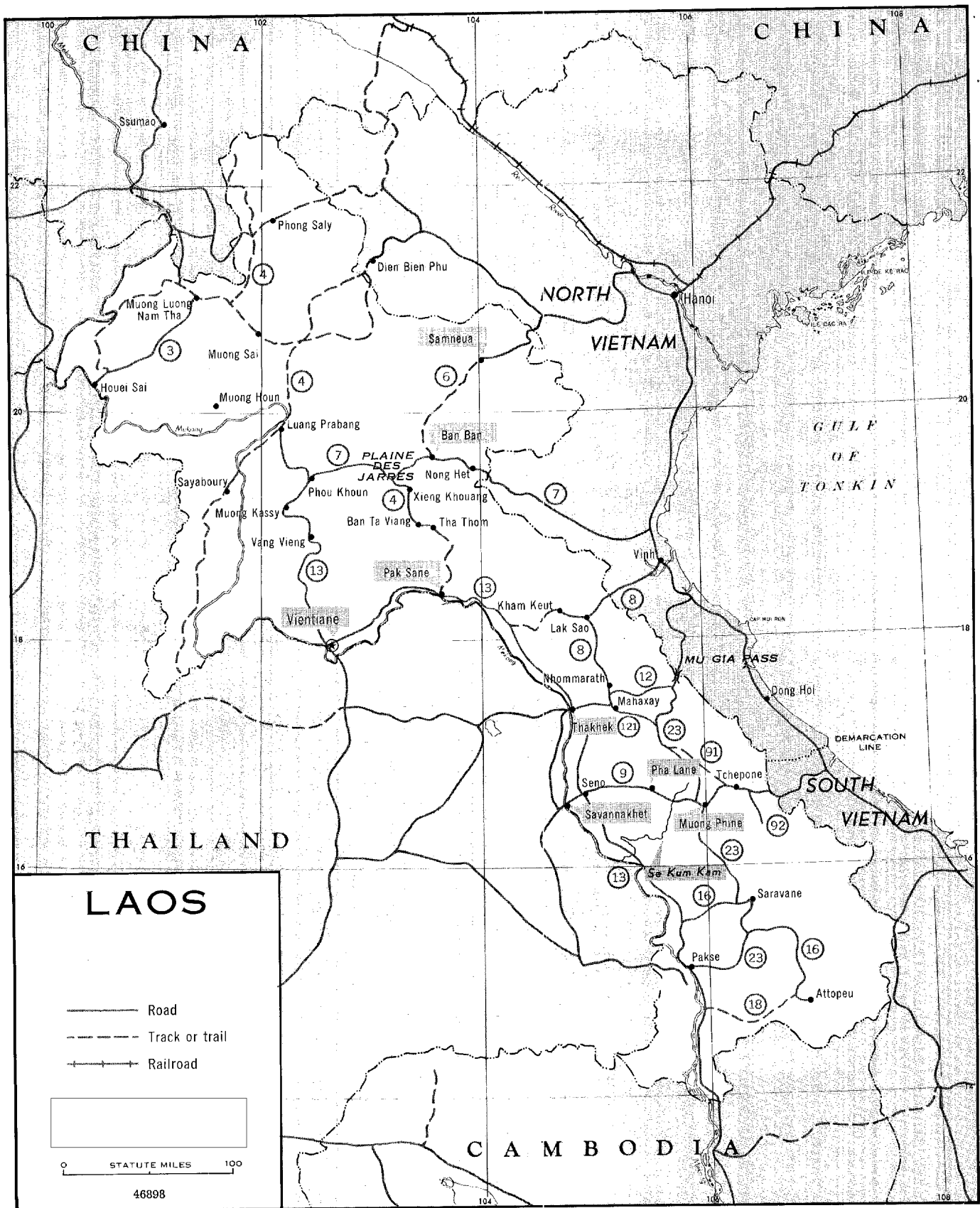
[REDACTED]

Sihanouk appears to fear that stepped-up US military activity will increase the threat to Cambodia from both South Vietnam and Thailand. On 13 February, he warned that Cambodia would respond to South Vietnamese air attacks by declaring war on the US as well as on South Vietnam. He said that if Cambodia were invaded he would ask for Chinese assistance and that China would have a "moral obligation" to intervene. [REDACTED]

25X1

* * *

SECRET



25X1

SECRET

Asia-Africa

COMMUNISTS STRENGTHEN POSITION IN LAOS

The Communists are continuing to strengthen their military posture throughout Laos. In recent clearing operations, Pathet Lao and North Vietnamese forces have pushed progovernment guerrilla and regular forces from several key positions along Route 6 between Ban Ban and the town of Samneua. These moves evidently have the objective of eliminating the long-standing government pockets within the Pathet Lao "liberated areas." They also could be the first steps in an effort to establish Route 6 as an alternative to Route 7 for supplying the Plaine des Jarres from North Vietnam.

Meanwhile, the North Vietnamese are continuing their movement of troops and supplies into central Laos. Following a relative lull during January, truck traffic moving through the Mu Gia Pass into Laos along Route 12 has stepped up sharply. During the first 16 days of February, roadwatch teams posted near the pass spotted over 170 trucks entering Laos, as compared with a total of 154 observed trucks for the entire month of January.

Increased numbers of North Vietnamese troops have been sighted moving into Laos, either aboard the trucks or accompanying them on foot. Reports from a roadwatch team positioned just to the southwest of the Mu Gia Pass indicate that possibly as many as 1,200 troops have been moved into Laos along Route 12 since 1 February.

The ultimate disposition of these troops is as yet unknown. As in the case of similar movements last December, they could be destined for Thakhek region along Route 12, or they may be headed farther south on Route 23 (which joins Route 12 at the Laotian side of the pass) toward the South Vietnamese border area southeast of Tchepone. There is also the possibility that these reinforcements may be slated for movement to the "front lines" between Pha Lane and Muong Phine on Route 9. In recent months, rightist forces--supported by T-28 aircraft--have been increasingly aggressive in this region east of Savannakhet and now are patrolling on the eastern banks of the Se Kum Kam River.

In Vientiane, Premier Souvanna is continuing his efforts to stabilize the situation following the recent coup attempt. Minister of Education Leuam Insixiengmay apparently is slated to take over General Phoumi's post as deputy premier, and Sisouk Na Champassak--currently secretary of state for finance--is to move up to assume Phoumi's portfolio as minister of finance. General Khamkhong, who rallied his troops to Phoumi's support, has--on the surface, at least--made his peace with the Vientiane authorities, and has agreed to relinquish his troop command at Pak Sane and accept a post in the capital.

25X1

SECRET

SECRET

Asia-Africa

TROOP ROTATION ISSUE AGAIN THREATENS CYPRUS PEACE

Tension between Greek and Turkish Cypriots is again rising in the absence of progress toward a political settlement. The postponement of the UN General Assembly session, at which Cyprus was to have been debated, has removed an important restraining influence.

The Turkish Government's plan to rotate part of its army contingent on Cyprus by 8 March now poses the most serious threat to peace. President Makarios' announced refusal to permit the rotation may be a bargaining tactic to secure further concessions from the Turkish Cypriots. The Greek Government is cautioning Makarios against allowing the rotation issue to provoke a new confrontation with Ankara. UN officials in Nicosia believe he will permit the rotation at the last minute--possibly only after a direct appeal from Secretary General Thant.

Turkish officials, apparently hopeful that the USSR will no longer threaten to intervene in case of hostilities, are warning that overwhelming force will be used if necessary to carry out the rotation. The governmental crisis in Ankara is not expected to alter the basic Turkish position.

In the port

city of Famagusta, the Greek Cypriots are proceeding with such activity in the face of threats of Turkish Cypriot retaliation and pleas by United Nations officers to cease.

25X1

Efforts to promote a negotiated Cyprus settlement have centered on UN mediator Galo Plaza, who returned to Nicosia on 11 February. His initial contacts with leaders of the two communities reveal that although Makarios reluctantly would enter into direct negotiations with the Turkish Cypriots, the latter refuse to meet with him. Plaza plans to visit Athens, Ankara, and London before returning to New York to give Thant his recommendations for a solution. He does not intend to present his report until after the Security Council extends the mandate for UN forces on Cyprus, which expires on 26 March.

25X1

SECRET

SECRET

Asia-Africa

INONU GOVERNMENT FALLS IN TURKEY

A new cabinet drawn from former opposition parties is being formed in Turkey following the resignation of Ismet Inonu's minority coalition government on 13 February. It is likely to serve only until the national elections scheduled for October.

For over a year Inonu had remained in power simply because the widely popular Justice Party (JP) and three minor parties chose not to unite against him. During this time the JP in particular feared that top military officers would not permit any other government to take office. Recently there had been signs that military antagonism to the JP as heir to the former Menderes regime was softening. Instrumental in this change was the JP's selection last November of a new party leader, Suleyman Demirel, who was not tarnished by his association with Menderes.

The opposition used a vote on the budget as the occasion to unite against Inonu. This immediate issue was less important than the parties' fear that if he were left in charge of the election machinery in the next eight months his Republican

Peoples' Party might stave off defeat at the polls.

The JP will be the dominant force in the new coalition. The prime minister, Suat Hayri Urguplu, is an independent who had long been associated with the JP. He will need the continuing support of all the disparate parties that brought Inonu down in order to retain a majority in the National Assembly. Only threats to resign may keep them from falling apart over their major differences on domestic policy.

Urguplu must also avoid antagonizing the army, which might still take over full control if it were alarmed at political trends. On the Cyprus issue, he may be less able than Inonu to resist pressure for military intervention. Inonu had considerable personal influence among top officers which he probably used at critical times in the past year. The army's acceptance of his ouster may stem partly from a disapproval of his pursuit of a diplomatic solution to the dispute.

25X1

AFRICAN MODERATES IN NEW GROUPING

Positions adopted by the moderate leaders of 12 French-speaking African states at their conference in Nouakchott, Mauritania, last week mark a consider-

able initial victory for Ivory Coast President Houphouet-Boigny, who has been campaigning recently for a confrontation with the continent's radical forces. In

SECRET

SECRET

Asia-Africa

agreeing on the broad outline for a new "African and Malagasy Common Organization"--the states' third formal grouping since they gained independence from France in 1960--the participants again made explicit provision for political collaboration. A year ago, under radical pressure to give way to the new continent-wide Organization of African Unity (OAU), the grouping had taken on an exclusively economic cast.

With radical African support of the Congolese rebels in mind, the Nouakchott communiqué endorsed the OAU principle of noninterference in the members' internal affairs and called for "help" to the "legal government" in Leopoldville. In an indirect denunciation of Peiping, the communiqué "strongly" censured "cer-

tain" African states for harboring "agents of subversion" and, contrary to usual practice, specifically named Ghana in this connection.

The outcome of the Nouakchott meeting, actively encouraged by the French, seemingly enhances prospects for a sharp clash between moderates and radicals at the OAU foreign ministers' meeting scheduled to begin on 26 February in Nairobi. However, the future of the new organization is highly uncertain at this time. No further "summit" meeting is to be held for almost a year, and in the meantime the organization's affairs are entrusted to elements--Senegalese and Mauritanian--which have the least enthusiasm for most of Houphouët's current efforts.

25X1

SUDANESE GOVERNMENT RESIGNS

The Sudan's leftist-dominated cabinet resigned on 18 February, and the non-Communist political parties now are negotiating formation of a new government.

These parties led by the Ansar religious brotherhood had brought several thousand tribesmen to Khartoum in support of their demand for a government reorganization, and were

SECRET

SECRET

Asia-Africa

prepared to overturn the regime by force if necessary. The leftists, unable to mobilize similar mass support, agreed last week to negotiate, probably hoping to salvage a few portfolios.

As the negotiations dragged on this week, the non-Communist parties began to have increasing difficulty in keeping their tribal supporters from leaving the Khartoum area. However, the parties' threats that they would turn to demonstrations and, if necessary oust the regime by force, finally brought the old cabinet's resignation.

The new cabinet probably will include at least one Communist and one or more leftist "independents." The non-Communist parties differ among themselves over whether the Communists should be excluded completely and when elections should be scheduled.

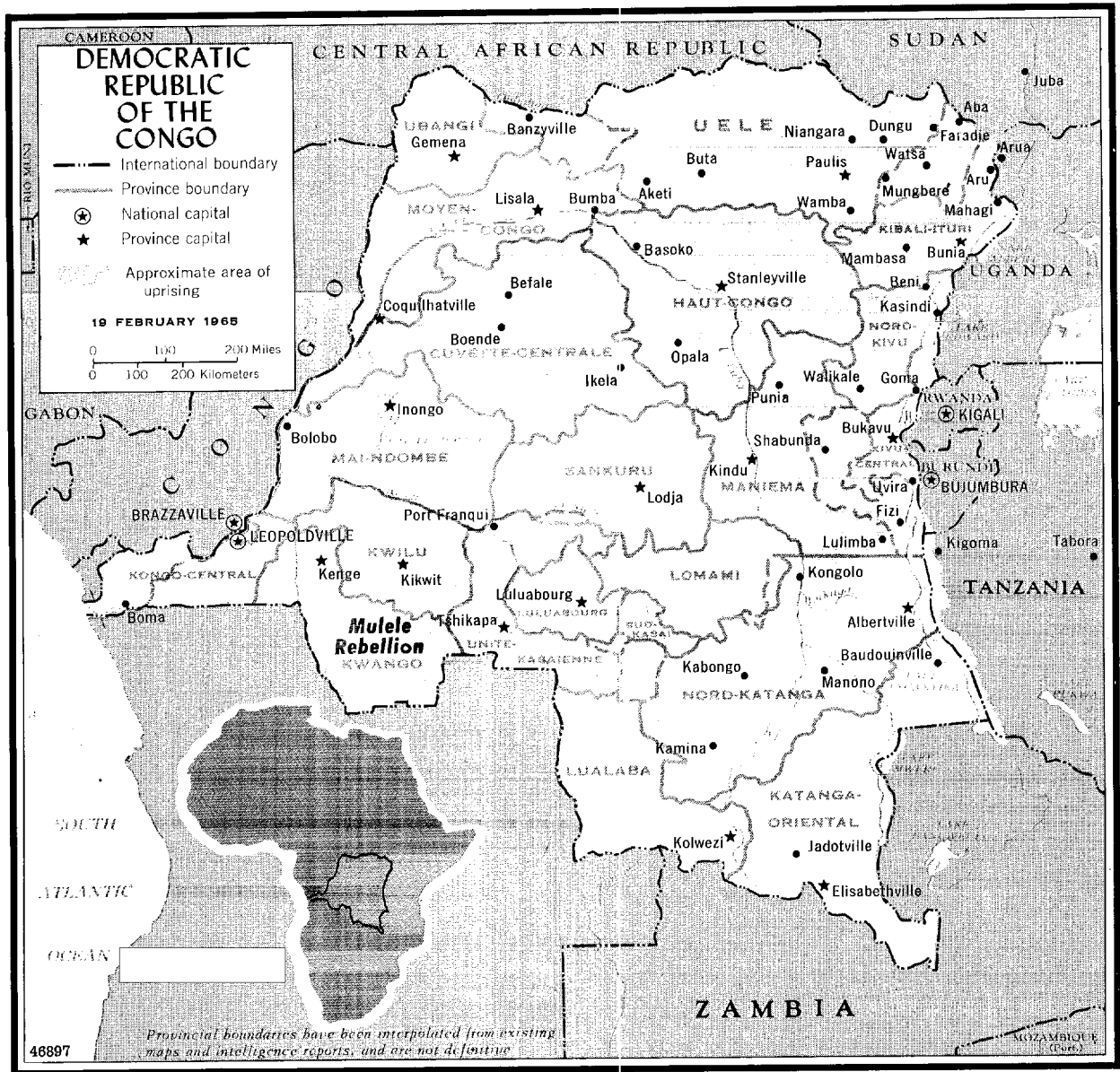
The old government had made no progress in settling the southern problem. At the last minute the long-promised negotiations between the Arab central government and southern Negroid dissident leaders scheduled to begin in Juba on 18 February were apparently postponed and may not be rescheduled. Neither side had made any serious effort to meet the various cease-fire conditions agreed on last month.

Since the Abboud regime was ousted in November, official statements have proclaimed that no real security problem exists in the three southern provinces. This week the press has publicized a number of terrorist raids, however, presumably reflecting a government effort to build a case for putting off the Juba conference. The non-Communist party leaders are now urging that the meeting be moved to Khartoum, and thus guarantee a southern boycott.

25X1

* * *

SECRET



SECRET

Asia-Africa

UGANDA AIDING CONGOLESE REBEL ATTACKS NEAR FRONTIER

25X1

Congolese rebel attacks, aided by Uganda, are sharply increasing along the Congolese-Ugandan border.

On 16 and 17 February, rebels almost certainly accompanied by Ugandan soldiers in some areas attacked Congolese positions between Lake Edward and Lake Albert.

Although Ugandan Prime Minister Obote publicly denies aiding the rebels, Uganda has in fact been giving them training and logistical support for several months. His expansive exploitation of a "bombing" of a Ugandan town by Congolese planes appears in part at least designed to justify support of the rebels, and his present charges of Congolese incursions into Uganda are probably false and seem intended to cover the new offensive.

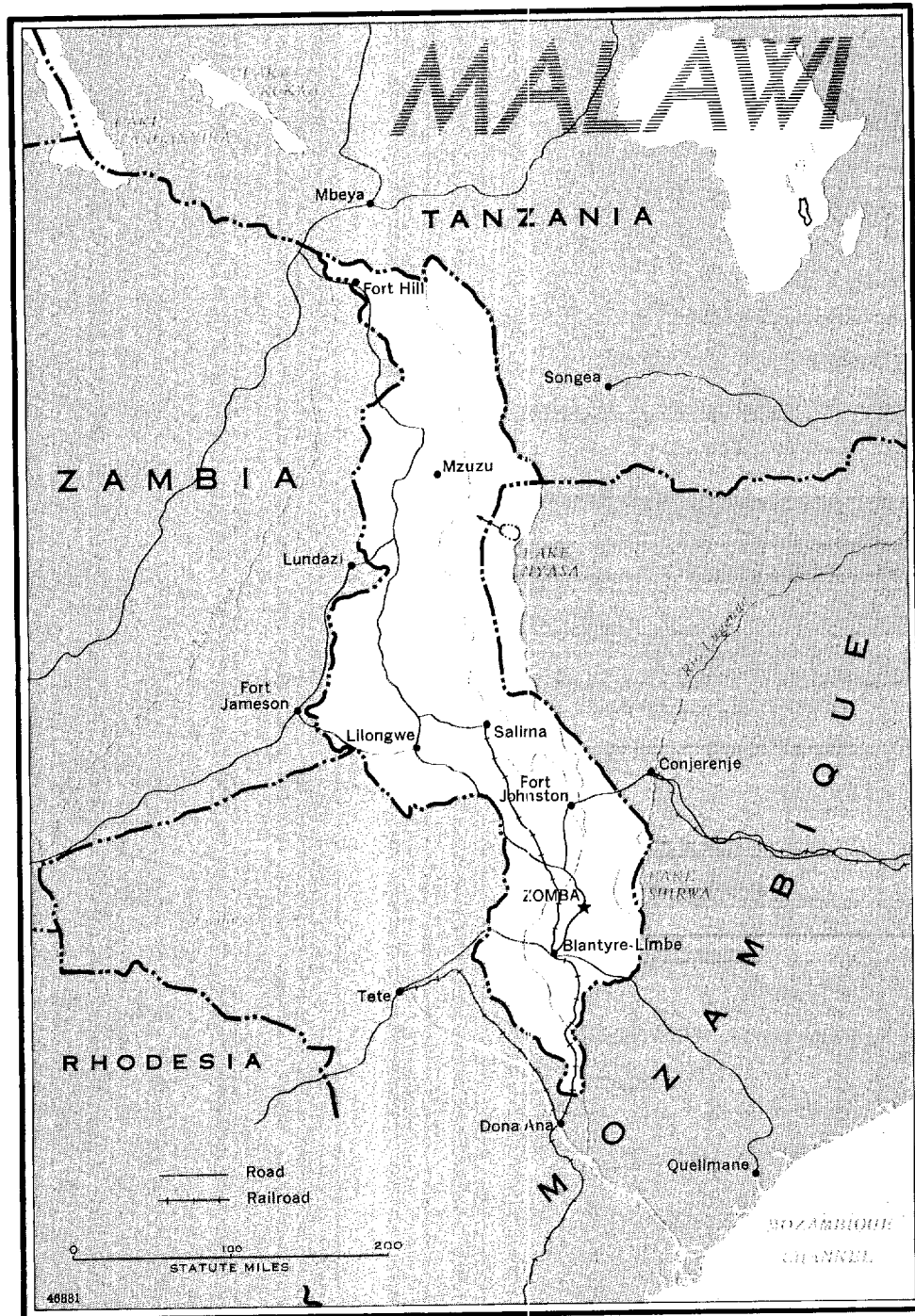
Just how many Ugandan soldiers are involved is unclear. Some rebels almost certainly have been wearing Ugandan uniforms.

In the northeastern Congo, the government column with the mission of closing off the Sudanese border has arrived in Paulis after hard fighting. This column must refit and be reinforced before it can push off. There now may be further delays if there are demands for this force to help meet the new threat along the Ugandan frontier.

25X1

* * *

SECRET



SECRET

Asia-Africa

CAMPAIGN BEGUN TO OVERTHROW BANDA'S RULE IN MALAWI

Former cabinet ministers determined to overthrow Malawi's Prime Minister Banda have apparently begun a terrorist campaign. Foreign African nationalists, who share the Malawi dissidents' resentment of Banda's collaboration with the Portuguese in neighboring Mozambique, may provide at least covert aid to the rebels.

During the night of 12 February some 200 raiders struck two police stations and a post office at Fort Johnston, a district headquarters less than 100 miles from Zomba, the capital. They cut all communications, seized 85 weapons and several vehicles, and withdrew with no known casualties. This is the first instance of a concerted attack against government installations, although opposition clashes with Banda's Youth League have occurred sporadically since September.

The raid probably was led by former education minister Henry Chipembere, who apparently has remained in the Fort Johnston area, his home constituency, since he broke with Banda last October. He has organized a resistance movement while eluding intensive police searches. Chipembere purports to maintain contact with five other ex-ministers who have settled in Tanzania, where they have solicited support from foreign African nationalists by denouncing Banda's links with the Portuguese. The strike on Fort Johnston, which followed months of vague threats, should enhance rebel prospects

of securing concrete foreign assistance.

Banda is clearly aware of such a threat. Last month Malawi police arrested ten agents of the Mozambique Liberation Front (FRELIMO) who were smuggling arms and ammunition from Tanzania to Mozambique.

25X1

A general popular uprising in Malawi does not seem imminent, however. Chipembere and his former colleagues probably have gained little mass support beyond the Fort Johnston district, although many civil servants in Zomba have become disaffected because of Banda's increasingly arbitrary rule. Banda retains firm control of the Malawi Congress Party, the country's only political party. The army, comprising four infantry companies, and the 2,800-man police force, officered by British expatriates, probably could suppress any open resistance around Fort Johnston or Zomba. Few of the Fort Johnston raiders have been captured, however, and they will almost certainly continue their guerrilla activities.

25X1

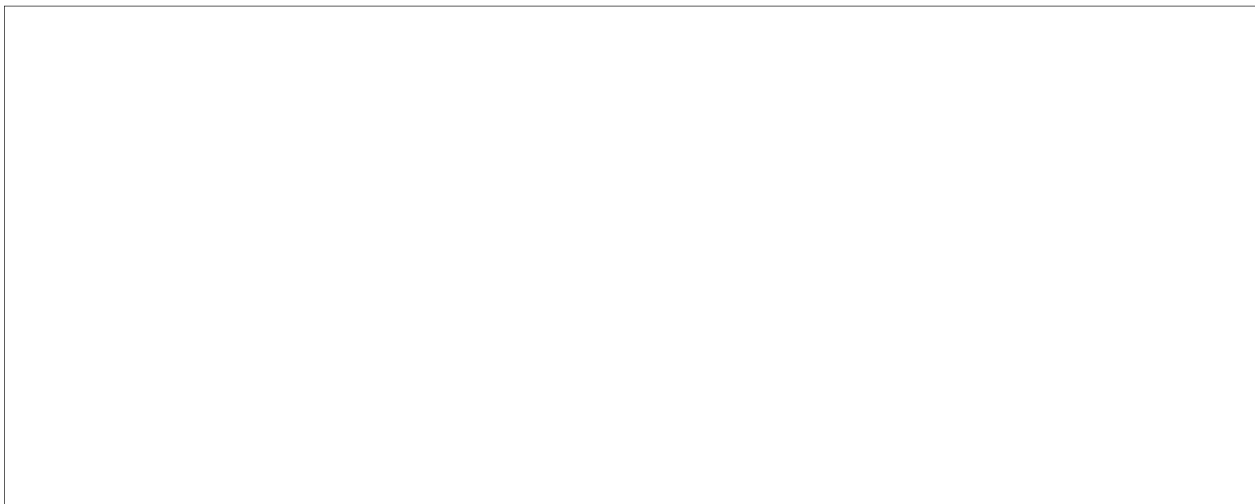
SECRET

Page Denied

SECRET

25X6

Europe



UK'S IMPORT SURCHARGE CONTINUES TO RANKLE EFTA PARTNERS

At the European Free Trade Association (EFTA) ministerial council meeting in Geneva next week, Britain will again be under strong pressure at least to reduce the 15-percent surcharge it imposed on imports last fall. Feeling against the import restrictions is running high among the UK's six trade bloc partners, but fear of provoking a crisis and a certain sympathy for the Labor government's economic difficulties will probably encourage restraint.

The concern of the UK's EFTA partners derives in part

from Britain's importance as a market for their exports. The new levy has, in effect, undone their improved access to the UK resulting from the intra-EFTA tariff reductions of recent years. Moreover, the other member countries fear that if the surcharge is continued too long, it will be "built in" to the British price system--and removal of the surcharge might then force Britain to devalue the pound.

Accordingly, some continental EFTA members have demanded an immediate announcement of a reduction to at least a

SECRET

SECRET

Europe

10-percent surcharge, but the prospects of their getting it are uncertain. Although the British have let it be known that they are considering a decrease to between 10 and 12.5 percent, the latest UK trade figures, in the opinion of the US Embassy in London, may not "provide economic justification for announcing a cut in the surcharges in the near future." Considerable disagreement exists within the Labor government over making a reduction.

While an announcement of even a small cut in the surcharge would probably forestall demands to retaliate against UK exports, many of the EFTA countries will still feel they are facing a dilemma. Most of them have nowhere else to go at the present time and there is even some sentiment for extending trade or financial help to Britain. Nevertheless, the lack of prior consultation by London before imposing the tax still rankles and has raised doubts about Britain's "leadership" of the trade bloc. If Britain's economic recuperation is to be a long one, these countries in-

creasingly question whether being linked to the UK will be a stimulus to or a drag on their own economies. A serious crisis could ensue if Britain should find it necessary to counteract the next scheduled EFTA tariff reduction in July.

Adding to the uncertainty about EFTA's viability are the increasing likelihood of Austria's coming to terms with the EEC--which might involve its "defection" from EFTA--and the pessimism over the Kennedy Round's prospects for satisfying EFTA demands with respect to the Common Market. Growing demands for increased Nordic regional cooperation may partially be related to deficiencies in broader EFTA cooperation, as well as a desire to form a stronger bargaining unit in any eventual negotiations with the EEC. The apparently renewed interest among the three major British parties in taking a new look at Britain's over-all relations with Europe is also likely to inspire further doubts among the other members about the usefulness of EFTA.

25X1

* * *

SECRET

SECRET

Europe

EUROPEAN SPACE RESEARCH PROGRAM AT A CROSSROADS

Technical difficulties and skyrocketing costs are resulting in a major re-evaluation of the multinational effort to construct a European space satellite launching system.

The program is under the auspices of the European Launcher Development Organization (ELDO) which was organized in 1961 by six European countries and Australia. With a budget presently set at \$196 million for its initial five-year program, ELDO now is concentrating on building a three-stage vehicle--ELDO-A--that would be ready for launching late in 1966. The UK, France, and Germany are developing ELDO-A's three rocket stages, Italy the satellite, and Belgium and the Netherlands the system's telemetry and ground guidance equipment. Australia is providing the Woomera range facilities for flight tests.

Besides the prestige factor, ELDO members have hoped particularly to assure themselves a role in future commercial satellite communications. All are participants in the international consortium--of which the US' Communications Satellite Corporation (COMSAT) is the executive agent--that plans to put such a system in orbit. ELDO members reason that if they can collectively produce a proven launcher by 1969 or 1970 they will be in a better position to claim a much larger role in what promises to be an enormously profitable operation.

Despite two successful test firings of ELDO-A's first stage, it was apparent by last fall that the program was in trouble technically and financially. Moreover, ELDO-A would be incapable of putting a heavy communications satellite into the desired high equatorial orbit. This was to be the function of more powerful follow-on launchers--which it was thought the technical know-how acquired in building ELDO-A would make feasible in the next few years.

For reasons not yet clear, the French have apparently decided to bring these problems to a head. When ELDO convened its first full council meeting in Paris from 19 to 21 January, the French delegation proposed dropping the ELDO-A program altogether. It further suggested that ELDO concentrate all future efforts on one of the advanced launchers capable of putting the required payload into high orbit. The council turned the proposal over to a committee of experts with orders to report back in March.

Whatever recommendations the committee comes up with, it is clear that ELDO will be at a crossroads when its council meets next month. Adoption of a more ambitious program such as the French are proposing will mean that member countries will have to allocate funds beyond those presently earmarked for ELDO-A. Even if the money is made available, it is far from

SECRET

SECRET

Europe

certain that ELDO will be able to muster the technical capability for developing a more advanced launch system within a reasonable time. Above all, a decision to proceed will have to take account of competition with

the US, whose financial and technological resources for space research and development greatly exceed those of the ELDO countries.

25X1

SPANISH HARASSMENT OF GIBRALTAR

Intensified Spanish pressure on Gibraltar seems to be winning reluctant British agreement to discuss Spanish-UK differences over the colony. Spanish customs restrictions imposed against Gibraltar on 3 November --ostensibly in an effort to control smuggling--have inhibited trade and greatly inconvenienced tourists.

The restrictions may reflect, in part, Madrid's pique over a late October decision by the Labor government to call off a joint naval exercise. The major objective, however, is probably to prod London into talks called for by the mid-October action of the UN Special Committee on Colonialism.

Until two weeks ago London had indicated that it would not participate in any talks that would include the question of Spanish sovereignty over Gibraltar. London also maintained that it would not enter discussions under pressure.

The British have shifted their ground somewhat following a 1 February action by the Spanish Government forbidding Gibraltarians from living in Spain without residence permits. As a result, several hundred per-

sons have been forced to move into Gibraltar. The move apparently stirred enough reaction in the UK to impel the government to open some sort of dialogue with Madrid, to avoid further exacerbation of the situation. As a consequence, the British now have indicated a willingness to discuss "constitutional developments" with the Spaniards so long as it is understood Gibraltar's sovereignty will not be a topic. Madrid might be noncommittal about such a limitation in order to get talks under way, but it is unlikely to feel bound to abide by this restriction.

Madrid cannot be unmindful that its Gibraltar campaign might invite the Moroccan Government to increase pressure on Spain to transfer sovereignty over certain African territories to Morocco. The Spaniards may be planning to stall off Rabat by denying any possibility of acceding to Moroccan demands while Gibraltar is under British control. On the other hand, Madrid may wish to use its push on Gibraltar to counteract domestic repercussions over a possible announcement of intentions to give up some of the African territories to Morocco.

25X1

SECRET

SECRET

Western Hemisphere

CASTRO MOVES AGAINST ANOTHER OLD-LINE CUBAN COMMUNIST

The removal this week of Carlos Rafael Rodriguez, a leading "old-line" Communist, from his position as president of Cuba's National Institute of Agrarian Reform (INRA) is probably another move by Fidel Castro to undermine the influence of the "old guard" in his regime. However, by taking over the top INRA job himself and keeping Rodriguez in the cabinet as minister without portfolio in charge of directing studies of Cuban economic problems, Castro presumably is trying to avoid giving the impression that a massive purge of the old-liners has been initiated. This is also calculated to keep Havana's relations with Moscow on an even keel.

Rodriguez' influence has been waning at least since last spring. His position was significantly weakened in July when the sugar industry was taken out of his jurisdiction and made the responsibility of a new ministry. Rodriguez' latest demotion may reflect Castro's desire to revitalize the Cuban economy. This would be in line with the dismissals during 1964 of the ministers of foreign trade, economy, and labor. Castro might also want to dramatize the importance of agriculture by personally presiding over INRA. He has already designated 1965 as the "Year of Agriculture."

The move against Rodriguez, regardless of the reasons, is certain to exacerbate tensions between the regime's "old" and "new" Communist elements. It will heighten the "old-liners'" apprehension that their days of power and prestige are numbered. This group has already been badly buffeted by the stormy trial of Marcos Rodriguez last March, and the subsequent dismissals of such prominent old-liners as Joaquin Ordoqui and Edith Garcia Euchaca.

The outlook for the old-liners seems, in fact, to be a grim one. The odds are high that Ordoqui will soon be brought to trial on charges of treason. Moreover, Castro can be expected to continue to undercut the Communist old guard. According to rumors circulating in Havana, Manuel Luzardo, minister of internal trade, and Lazaro Pena, the regime's labor leader, are candidates for removal from office sometime in the next few months.

Castro has appointed the Cuban Air Force chief, Major Raul Curbelo Morales, to become the principal administrator of INRA. Curbelo, a former communications minister and coordinator of agrarian reform in Las Villas Province, is a successful administrator. He is not known to have any connections with the old-line Communists.

25X1

SECRET

COLOMBIA : Selected Economic Indicators (Official Statistics)

International Reserves Held by Bank of the Republic (Millions of Pesos)

	1964 *	1963
Beginning January	131	96
End December	149	106
Increase	+18	+10

*Adjusted to include IMF gold contribution

Commercial Banks, Selected Statistics (Millions of Pesos and Percentages)

	Sep 1964	Sep 1963
Capital and Legal Reserves	1,734	1,361
Total Portfolio	8,560	7,122
Liquidity: demand deposits as % available assets	136%	164%

Means of Payment (Millions of Pesos and Percentages)

	Oct 1964	Oct 1963
Pesos	8,076	6,577
% in hands of public	26.6	27.3

Average Free Market Peso Rates (In Pesos Per Dollar)

1964	Buying	Selling
September	9.9801	9.9847
October	10.1865	10.2029
November	12.2885	12.3628
December	12.7500	12.7829
5 February 1965	13.25	13.30

Imports and Exports (In Million of Dollars)

	Exports *	Imports	(Exports minus Imports) Balance
Jan-Sep, 1964	403.8	443.0	-39.2
Jan-Sep, 1963	340.0	365.3	-25.3
Jan-Sep, 1962	355.7	424.2	-68.5

* Including petroleum

National Index of Consumer Prices (July 1954 - June 1955 = 100)

Month	Employees	Percentage Increase	Workers	Percentage Increase
1963				
October	236.5	1.2	244.6	1.9
November	240.1	1.5	250.4	2.4
December	242.2	0.9	252.8	1.0
1964				
January	245.7	1.0	256.5	1.4
February	247.7	0.8	257.6	0.4
March	253.2	2.2	263.7	2.4
April	258.1	1.9	270.3	2.5
May	264.0	2.3	280.0	3.6
June	267.2	1.2	284.6	1.6
July	267.0	-0.1	281.2	-1.2
August	264.3	-1.0	276.4	-1.7
September	263.4	-0.3	274.2	-0.8
October	262.2	-0.5	271.7	-0.9
November	264.0	0.7	274.1	0.9
December	264.8	0.3	274.4	0.1

Production

	Jan-Oct 1963	Jan-Oct 1964
Coffee (60-kilo bags)	7,500,000*	7,800,000*
Petroleum crude (thou- sands of barrels) **	49,393	50,821
Electricity (millions of kilowatt-hours)	3,200	3,502
Cement (millions of metric tons)	1,463	1,618

* Production for the coffee year 1 July to 30 June

** Barrels of 42 gallons net

650216

SECRET

Western Hemisphere

POLITICAL AND ECONOMIC TRENDS IN COLOMBIA

The Colombian Government is still reaping political benefits from the successes it scored last month in thwarting a general strike and ousting a coup-minded minister of war. President Valencia's personal prestige is higher than it has been for months, and his National Front coalition is probably more tightly knit.

The Colombian economy is still suffering from a monetary crisis that began last fall, although most basic indexes of economic trends are favorable (see tables). In general, business has been good and there has been a slowdown in the rise of living costs. Under the circumstances, the odds that Valencia will be able to serve out his term--which does not expire until August 1966--have improved considerably.

Valencia, however, may be faced with new troubles in the days immediately ahead. He may well lose a good deal of the ground he has recently gained when a special session of congress convenes next month to consider the repeal of the sales tax law that was behind the January strike call and to pass on

a number of reform bills. Valencia's image in the past has suffered from what has appeared to be inept handling of an obstreperous Congress.

Maintenance of internal security may also again become an issue on which the government will be vulnerable to political attack. Several acts of violence--mostly shootings, robbings, and kidnappings--have occurred in districts supposedly "cleared out" by the army last year. For example, a bandit leader called El Sinsonte (The Mockingbird) who was driven out of the department of Antioquia in west-central Colombia over a year ago has returned with 30 followers to terrorize the population. Other bandits have reappeared in the east and south.

The Communist-dominated group that calls itself the Army of National Liberation (ELN) has lain low since its initial raid on 7 January. However, this group, which is believed to have links with Havana, is not likely to remain inactive indefinitely, particularly if other insurgents are able to intensify their activities.

25X1

SECRET

SECRET

Western Hemisphere

FINANCIAL CRISIS IN THE DOMINICAN REPUBLIC

The depressed world price of sugar, which is the Dominican Republic's chief export, has deepened a financial crisis that has been developing in that country for several months. It could also undermine the popular support that accrued to Triumvirate President Reid following last month's reforms in the armed forces and police.

Although an ambitious stabilization program initiated last August to protect the peso has succeeded in easing an acute balance-of-payments problem, it failed to halt a steady deterioration in the country's economy. Recently Reid announced a series of new measures to bolster the program. Deflationary by design, the measures include a reduction in military and civilian budget allocations, a tight monetary policy, and import restrictions. The latter measure, however, has greatly reduced revenues from import taxes which usually furnish nearly 50 percent of the government's revenues. The fall in sugar prices has severely aggravated the situation by forcing the government-

owned sugar corporation to operate at a large deficit.

The stabilization program has received support from the International Monetary Fund, a consortium of international banks, and from the US Government. Last week Washington granted the Reid regime an additional \$10-million loan to finance essential imports and promote economic and social welfare programs. In spite of this assistance, the sugar problem, exacerbated by the recent US dock strike, defies any short-term solution.

Unless the tide is turned the heavy political liabilities stemming from financial instability will stand in the way of Reid's efforts to build a popular political base. Opportunistic politicians and recently ousted army and police officials--such as Neivar Seijas and Belisario Peguero--can be expected to take advantage of the current economic hardships to foment business and labor unrest.

25X1

DECEPTIVE POLITICAL CALM IN PANAMA

25X1

An undercurrent of uneasiness in Panama suggests that the present political lull is both deceptive and transitory.

Animosities within the government coalition are becoming more obvious while rumors of

cabinet changes and of coup plotting are common.

SECRET

SECRET

Western Hemisphere

25X1

[redacted] a pro-Arias radio station has been constantly attacking administration officials as incompetent and selfishly motivated, especially in the conduct of Canal negotiations with the US.

The Communists are, for the moment, trying to remain in the background to avoid provoking repressive government action. They are nevertheless continuing to promote unrest, particularly

among banana and transportation workers.

Opponents of Robles' economic reform program have regained the initiative. Major business interests have put his economic team on the defensive by precipitating the ouster of one of its most competent members for infraction of an import regulation that is seldom enforced. In addition, the National Assembly has adjourned until October after passing only 38 of 253 bills presented for consideration and forcing the administration to withdraw a major tariff reform bill.

25X1

REACTION TO RIGGED ELECTIONS IN HONDURAS

Reaction to blatant manipulation of votes in the 16 February Honduran constituent assembly elections may lead to civil disturbances and possibly violence. Unofficial election returns announced on Wednesday gave the traditionally minority Nationalists 35 seats to 29 for the opposition Liberals.

The Liberals have already charged widespread fraud and want to have the elections in two departments nullified. If they are able to prove large-scale irregularities, the Nationalists may try to mollify them by offering to give up some of the disputed seats. The Nationalists, however, can be expected to retain a safe majority.

Meanwhile, former President Villeda Morales, leader of the Liberal Party, has said that if the elections in disputed constituencies are not declared void, he would support any effort to overthrow the government on grounds that such a move would be justified under certain provisions of the 1957 constitution.

25X1

In the meantime, political opportunists, including the Communists, apparently feel that an unstable situation is developing

25X1

SECRET

Page Denied